

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Laingsburg	County Shiawassee
Fiscal Year End 6/30/2006	Opinion Date 9/8/2006	Date Audit Report Submitted to State 12/5/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

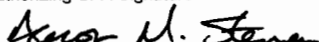
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**City of Laingsburg
Shiawassee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

City of Laingsburg
Shiawassee County, Michigan
June 30, 2006
CITY COUNCIL AND ADMINISTRATION

Mr. Micheal Culpepper	Mayor
Mr. Robert Frank	Mayor Pro-tem
Mr. Brian Fredline	Council Member
Mr. Brian Hart	Council Member
Mr. David Rhodabeck	Council Member
Mr. Thad Rose	Council Member
Ms. Jessica Bayer	Council Member
Ms. Paula Willoughby	City Treasurer
Ms. Lana Kaiser	City Clerk

City of Laingsburg

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Principals

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ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Laingsburg
Laingsburg, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laingsburg, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laingsburg, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laingsburg, Michigan's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 8, 2006

City of Laingsburg

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

As management of the City of Laingsburg, we offer readers of the City of Laingsburg's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- State shared revenue, our second largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$1,800 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues increased approximately \$59,590 from the prior year. The increase is the net result of increased residential building that has increased the City's taxable value from approximately \$21 million to \$23 million.
- The City is in the process of completing Phase I of McClintock Park, financed by a \$307,000 DNR Grant with a fifty percent local match. Phase II of the DNR Grant, totaling \$322,750, is in the bid phase and also requires a fifty percent match.
- The City of Laingsburg made the final annual debt service payment on the 2001 Police Car in the amount of \$6,533 and entered into a new capital lease for the purchase of a police car in the amount of \$26,136.
- Total fund balances related to the City's governmental funds increased by \$75,550.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Laingsburg as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the City of Laingsburg in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City of Laingsburg acts solely as a trustee or agent for the benefit of those outside the government.

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2006 and 2005, respectively.

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	2006	2005	2006	2005	2006	2005
Assets						
Current & other assets \$	505,446	\$ 431,578	\$ 815,076	\$ 728,220	\$ 1,320,522	\$ 1,159,798
Capital assets	1,038,301	938,491	1,237,890	1,322,718	2,276,191	2,261,209
Total assets	1,543,747	1,370,069	2,052,966	2,050,938	3,596,713	3,421,007
Liabilities						
Current liabilities	51,790	56,015	16,537	1,969	68,327	57,984
Long-term liabilities	74,407	60,875	-	-	74,407	60,875
Total liabilities	126,197	116,890	16,537	1,969	142,734	118,859

City of Laingsburg

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The City as a Whole - continued

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net Assets						
Invested in capital assets net of related debt	\$ 959,943	\$ 872,507	\$ 1,237,890	\$ 1,322,718	\$ 2,197,833	\$ 2,195,225
Restricted	113,499	92,926	-	-	113,499	92,926
Unrestricted	<u>344,108</u>	<u>287,746</u>	<u>798,539</u>	<u>726,251</u>	<u>1,142,647</u>	<u>1,013,997</u>
	<u>\$ 1,417,550</u>	<u>\$ 1,253,179</u>	<u>\$ 2,036,429</u>	<u>\$ 2,048,969</u>	<u>\$ 3,453,979</u>	<u>\$ 3,302,148</u>

The City's total net assets were \$3,453,979 at June 30, 2006, representing an increase of \$151,831 from the prior year. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$1,142,647 at the end of the fiscal year, representing an increase of \$128,650 from the prior year. The amount invested in capital assets, net of related debt was \$2,197,833.

The following table shows the changes in net assets during the current year and prior year, respectively.

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue						
Program Revenue						
Charges for services	\$ 64,554	\$ 87,226	\$ 190,601	\$ 213,245	\$ 255,155	\$ 300,471
Operating grants & contributions	153,260	36,250	-	-	153,260	36,250
Capital grants & contributions	138,947	100,744	-	-	138,947	100,744
General Revenue						
Property taxes	360,248	309,463	-	-	360,248	309,463
State shared revenue	143,371	247,566	-	-	143,371	247,566
Investment earnings	559	12,963	(8,041)	36,508	(7,482)	49,471
Other revenues	<u>6,736</u>	<u>47,960</u>	<u>-</u>	<u>-</u>	<u>6,736</u>	<u>47,960</u>
Total revenue	867,675	842,172	182,560	249,753	1,050,235	1,091,925
Program Expenses						
General government	159,817	141,016	-	-	159,817	141,016
Public safety	218,153	201,283	-	-	218,283	201,283
Public works	154,797	177,461	-	-	154,797	177,461
Health and welfare	24,889	-	-	-	24,889	-0-
Recreation and cultural	125,514	101,478	-	-	125,514	101,478
Interest on long-term debt	38	1,361	-	-	38	1,361
Other	20,096	16,366	-	-	20,096	16,366
Sewer system	<u>-</u>	<u>-</u>	<u>195,100</u>	<u>164,776</u>	<u>195,100</u>	<u>164,776</u>
Total program expenses	<u>703,304</u>	<u>638,965</u>	<u>195,100</u>	<u>164,776</u>	<u>898,404</u>	<u>803,741</u>
Change in net assets	<u>\$ 164,371</u>	<u>\$ 203,207</u>	<u>\$ (12,540)</u>	<u>\$ 84,977</u>	<u>\$ 151,831</u>	<u>\$ 288,184</u>

Governmental Activities

The City's governmental revenues totaled \$867,675, which represents an increase of \$25,503 from the prior year, with the greatest revenue source being property taxes. Property taxes make up approximately 42 percent of total governmental revenue. Over the past few years, state shared revenue has declined while investment earnings reversed the downward trend and increased.

City of Laingsburg

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

The City incurred governmental expenses of \$703,304, which represents an increase of \$64,339 from the prior year. The largest area of governmental expense is associated with the public safety function.

The net assets of the governmental activities increased by \$164,371.

Business-type Activities

Net assets of the business-type activities decreased by \$12,540 during the year ended June 30, 2006. The majority of the revenue of the business-type activities is generated through user charges. Depreciation of the sewer system's capital assets represents approximately 43% of the business-type activities' expenses. Of the total \$2.0 million of net assets of the business-type activities as of June 30, 2006, \$1.2 million is invested in capital assets net of related debt.

The City's Funds - Fund Level Financial Statements

The analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Laingsburg as a whole. The City of Laingsburg creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The City's major funds for the fiscal year ended June 30, 2006 include the General Fund, the Park and Recreation Fund and the Sewer System Fund.

The General Fund pays for most of the City's governmental services. The most significant services provided during the fiscal year were general government and public safety. General government includes City hall and grounds and other City services and public safety includes the police department as well as planning and zoning. The general government and public safety incurred expenditures of \$152,252 and \$202,064, respectively, for the fiscal year.

The Park and Recreation Fund pay for the enhancements to the City's parks and incurred expenditures of \$162,215 for the fiscal year. These expenditures are being reimbursed at 50% by a grant from the Michigan Department of Natural Resources.

The Sewer Fund pays for the City's Sewer service to the public and incurred expenses of \$195,100 for the fiscal year. Expenses are funded through sewer user charges.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Council made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of repairs to the Library, as well as increasing the budget for the park projects. However, because most departments came in under budget at year-end, there was an overall favorable variance of \$28,302 from budget.

Capital Asset and Debt Administration

At the end of the fiscal year, the City had approximately \$2,276,191 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. In addition, the City has made certain investments in road and drain infrastructure within the City limits of Laingsburg.

During the current year the City paid \$13,762 in debt principal. The City has \$91,060 in debt outstanding as of June 30, 2006, including \$12,702 for accumulated compensated absences.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Current Economic Factors

Revenue sharing, the rising cost of health insurance and the cost of repairing/replacing road infrastructure are the most significant budgetary concerns at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. Interest rates are expected to continue their favorable trend upward. The City continues to investigate health insurance alternatives to keep the cost to the City at a manageable level. The City has been looking into grants and the possibility of bonds to help cover the cost of road infrastructure improvements.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk or Treasurer at the City Hall.

BASIC FINANCIAL STATEMENTS

City of Laingsburg

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		(DDA)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 261,502	\$ 86,655	\$ 348,157	\$ 32,888
Receivables	394	88,204	88,598	-
Due from other governmental units	114,947	-	114,947	-
Internal balances	190	(190)	-0-	-
Total current assets	377,033	174,669	551,702	32,888
Noncurrent assets				
Cash - restricted	63,073	-	63,073	-
Investments	65,340	640,407	705,747	-
Capital assets not being depreciated	88,441	-	88,441	-
Capital assets net of accumulated depreciation	949,860	1,237,890	2,187,750	-
Total noncurrent assets	1,166,714	1,878,297	3,045,011	-0-
TOTAL ASSETS	1,543,747	2,052,966	3,596,713	32,888
LIABILITIES				
Current liabilities				
Accounts payable	26,578	14,900	41,478	-
Due to other governmental units	-	-	-0-	10,000
Other accrued liabilities	8,195	1,637	9,832	-
Accrued interest payable	364	-	364	-
Current portion of compensated absences	7,803	-	7,803	-
Current portion of long-term debt	8,850	-	8,850	-
Total current liabilities	51,790	16,537	68,327	10,000
Noncurrent liabilities				
Noncurrent portion of compensated absences	4,899	-	4,899	-
Noncurrent portion of long-term debt	69,508	-	69,508	-
Total noncurrent liabilities	74,407	-0-	74,407	-0-
TOTAL LIABILITIES	126,197	16,537	142,734	10,000
NET ASSETS				
Invested in capital assets, net of related debt	959,943	1,237,890	2,197,833	-
Restricted for streets	113,499	-	113,499	-
Unrestricted	344,108	798,539	1,142,647	22,888
TOTAL NET ASSETS	\$ 1,417,550	\$ 2,036,429	\$ 3,453,979	\$ 22,888

See accompanying notes to financial statements.

City of Laingsburg

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 159,817	\$ 52,250	\$ 1,374	\$ -	\$ (106,193)	\$ -	\$ (106,193)	\$ -
Public safety	218,153	5,235	7,335	-	(205,583)	-	(205,583)	-
Public works	154,797	-	95,923	-	(58,874)	-	(58,874)	-
Health and welfare	24,889	300	-	-	(24,589)	-	(24,589)	-
Recreation and cultural	125,514	6,769	48,628	138,947	68,830	-	68,830	-
Interest on long-term debt	38	-	-	-	(38)	-	(38)	-
Other	20,096	-	-	-	(20,096)	-	(20,096)	-
Total governmental activities	703,304	64,554	153,260	138,947	(346,543)	-0-	(346,543)	-0-
Business-type activities								
Sewer system	195,100	190,601	-	-	-	(4,499)	(4,499)	-
Total primary government	<u>\$ 898,404</u>	<u>\$ 255,155</u>	<u>\$ 153,260</u>	<u>\$ 138,947</u>	(346,543)	(4,499)	(351,042)	-0-
Component unit								
Downtown Development Authority	<u>\$ 35,620</u>	<u>\$ 2,526</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-	-	-0-	(33,094)
		General revenues						
		Property taxes			360,248	-	360,248	45,816
		State shared revenues			143,371	-	143,371	-
		Investment earnings (losses)			559	(8,041)	(7,482)	-
		Miscellaneous			6,736	-	6,736	-
		Total general revenues			510,914	(8,041)	502,873	45,816
		Change in net assets			164,371	(12,540)	151,831	12,722
		Net assets, beginning of the year			1,253,179	2,048,969	3,302,148	10,166
		Net assets, end of the year			<u>\$ 1,417,550</u>	<u>\$ 2,036,429</u>	<u>\$ 3,453,979</u>	<u>\$ 22,888</u>

See accompanying notes to financial statements.

City of Laingsburg

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Capital Project Park and Recreation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 125,977	\$ -	\$ 135,525	\$ 261,502
Cash and cash equivalents - restricted	8,290	54,783	-	63,073
Investments	65,340	-	-	65,340
Accounts receivable	394	-	-	394
Due from other governmental units				
Local	10,000	-	22,560	32,560
Federal/State	18,007	56,260	8,120	82,387
Due from other funds	78,109	-	-	78,109
TOTAL ASSETS	\$ 306,117	\$ 111,043	\$ 166,205	\$ 583,365
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Payables				
Accounts	\$ 10,288	\$ 13,019	\$ 3,271	\$ 26,578
Wages	5,816	-	2,379	8,195
Due to other funds	-	77,771	148	77,919
TOTAL LIABILITIES	16,104	90,790	5,798	112,692
FUND BALANCES				
Unreserved				
Designated for community projects	61,523	20,253	-	81,776
Undesignated, reported in				
General Fund	228,490	-	-	228,490
Special Revenue Funds	-	-	160,407	160,407
TOTAL FUND BALANCES	290,013	20,253	160,407	470,673
TOTAL LIABILITIES AND FUND BALANCES	\$ 306,117	\$ 111,043	\$ 166,205	\$ 583,365

See accompanying notes to financial statements.

City of Laingsburg

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balance - governmental funds \$ 470,673

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,946,391	
Accumulated depreciation is	<u>(908,090)</u>	
Capital assets, net		1,038,301

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Long-term debt payable	\$ 78,358	
Accrued interest payable	364	
Compensated absences	<u>12,702</u>	
		<u>(91,424)</u>

Net assets of governmental activities \$ 1,417,550

See accompanying notes to financial statements.

City of Laingsburg

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General	Capital Project Park and Recreation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 369,053	\$ -	\$ -	\$ 369,053
Licenses and permits	7,807	-	-	7,807
Intergovernmental	149,291	124,624	98,580	372,495
Charges for services	3,849	-	5,894	9,743
Fines and forfeits	8,347	-	40,131	48,478
Interest and rents	28,417	-	1,119	29,536
Other	12,354	14,348	3,862	30,564
TOTAL REVENUES	579,118	138,972	149,586	867,676
EXPENDITURES				
Current				
General government	152,252	-	-	152,252
Public safety	202,064	-	-	202,064
Public works	50,969	-	50,368	101,337
Health and welfare	24,889	-	-	24,889
Recreation and cultural	42,177	-	68,727	110,904
Other	20,096	-	-	20,096
Capital outlay	30,321	162,215	-	192,536
Debt service	14,184	-	-	14,184
TOTAL EXPENDITURES	536,952	162,215	119,095	818,262
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	42,166	(23,243)	30,491	49,414
OTHER FINANCING SOURCES (USES)				
Installment lease	26,136	-	-	26,136
Transfers in	-	20,000	20,000	40,000
Transfers out	(40,000)	-	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	(13,864)	20,000	20,000	26,136
NET CHANGE IN FUND BALANCES	28,302	(3,243)	50,491	75,550
Fund balances, beginning of year	261,711	23,496	109,916	395,123
Fund balances, end of year	<u>\$ 290,013</u>	<u>\$ 20,253</u>	<u>\$ 160,407</u>	<u>\$ 470,673</u>

See accompanying notes to financial statements.

City of Laingsburg

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - total governmental funds **\$ 75,550**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 178,365	
Depreciation expense	<u>(78,555)</u>	
Excess of capital outlay over depreciation expense		99,810

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Installment lease	(26,136)	
Repayment of long-term debt	<u>13,762</u>	
		(12,374)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	384	
Decrease in accrued compensated absences	<u>1,001</u>	
		<u>1,385</u>

Change in net assets of governmental activities **\$ 164,371**

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF NET ASSETS

June 30, 2006

	Sewer System
ASSETS	
Current assets	
Cash and cash equivalents	\$ 86,655
Accounts receivable	<u>88,204</u>
Total current assets	174,859
Noncurrent assets	
Capital assets net of accumulated depreciation	1,237,890
Investments	<u>640,407</u>
Total noncurrent assets	<u>1,878,297</u>
TOTAL ASSETS	2,053,156
LIABILITIES	
Current liabilities	
Accounts payable	14,900
Accrued wages	1,637
Due to other funds	<u>190</u>
TOTAL LIABILITIES	<u>16,727</u>
NET ASSETS	
Invested in capital assets	1,237,890
Unrestricted	<u>798,539</u>
TOTAL NET ASSETS	<u><u>\$ 2,036,429</u></u>

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

Year Ended June 30, 2006

	Sewer System
OPERATING REVENUES	
Charges for services	\$ 190,601
OPERATING EXPENSES	
Salaries and wages	39,037
Fringe benefits	9,755
Contractual services	28,405
Utilities	3,288
Repairs and maintenance	24,275
Depreciation	84,828
Other	5,512
TOTAL OPERATING EXPENSES	195,100
OPERATING LOSS	(4,499)
NONOPERATING EXPENSES	
Loss on value of investments	(8,041)
CHANGE IN NET ASSETS	(12,540)
	2,048,969
Net assets, beginning of year	
	\$ 2,036,429
Net assets, end of year	

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 182,824
Cash paid to employees and vendors	(86,009)
Cash paid for employee benefits	(9,755)
NET CASH PROVIDED BY OPERATING ACTIVITIES	87,060
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(419,120)
Loss on value of investments	(8,041)
NET CASH USED BY INVESTING ACTIVITIES	(427,161)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(340,101)
Cash and cash equivalents, beginning of year	426,756
Cash and cash equivalents, end of year	\$ 86,655
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (4,499)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	84,828
(Increase) in receivables	(7,777)
Increase in accounts payable	14,398
(Decrease) in due to other funds	(60)
Increase in accrued liabilities	170
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 87,060

See accompanying notes to financial statements.

City of Laingsburg

Fiduciary Funds

STATEMENT OF NET ASSETS

June 30, 2006

	Agency Funds		
	Trust and Agency	Current Tax Collection	Total
ASSETS			
Cash and cash equivalents	\$ 4,240	\$ 12,849	\$ 17,089
Investments	15,809	-	15,809
Due from individuals and agencies	196	-	196
TOTAL ASSETS	\$ 20,245	\$ 12,849	\$ 33,094
LIABILITIES			
Due to individuals and agencies	\$ 20,241	\$ -	\$ 20,241
Due to other governmental units			
County	-	3,216	3,216
State Education Tax	4	1,717	1,721
Fire Authority	-	278	278
Schools	-	7,638	7,638
TOTAL LIABILITIES	\$ 20,245	\$ 12,849	\$ 33,094

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Laingsburg is located in Shiawassee County, Michigan and has a population of approximately 1,223. The City of Laingsburg operates with a Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has six (6) City Council members who are elected at large for overlapping four (4) year terms and a Mayor elected at large for a two (2) year term. The Council appoints the Treasurer, Clerk, Assessor, Chief of Police, and DPW Supervisor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Laingsburg (primary government) and its component unit (Downtown Development Authority).

2. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the City of Laingsburg remains financially accountable for this entity.

The governing body of the Downtown Development Authority is appointed by the City Council, the Authority's budget is subject to the approval of the City Council and the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues).

3. Jointly Governed Organizations

The City participates in the following activity which is considered to be a jointly governed organization in relation to the City due to there being no ongoing financial interest or responsibility:

Laingsburg, Sciota, and Woodhull Emergency Services Authority - The City of Laingsburg, in conjunction with the Townships of Sciota and Woodhull, have entered into an agreement that created the Laingsburg, Sciota, and Woodhull Emergency Services Authority. The Emergency Services Authority is composed of two (2) members from each of the member municipalities. The City is responsible to pay a pro-rata portion of operating and construction costs based on the current taxable values of the member municipalities. The City levied .9736 mills per \$1,000 of assessed valuation for fire protection services and 1.1182 mills per \$1,000 of assessed valuation for ambulance services and forwarded the collections to the Emergency Services Authority. Other than the levy, the City did not contribute funds to the Emergency Services Authority for the year ended June 30, 2006.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Parks and Recreation Fund is used to account for the financial resources related to park enhancements.
- c. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued on December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. At the regular council meeting in May, the City Treasurer submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments at the regular council meeting in May.
- c. The budget is legally adopted with passage by Council vote no later than the third Monday in May.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include U.S. government securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

9. Property Tax

The City of Laingsburg bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Laingsburg on July 1 and December 1 and are payable without penalty through August 31 and February 14, respectively. The July 1 levy is composed of the City's millage, 2/3 of the County's millage, special assessments and the State Education Tax. The December 1 levy is composed of 1/3 of the County's millage, fire authority, and schools taxes and special assessments. All real property taxes not paid to the City by March 1 are turned over to the Shiawassee County Treasurer for collection. The Shiawassee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2006, the City levied 15.5069 mills per \$1,000 of assessed valuation for general governmental services. The total Taxable Value for the 2005 levy for property within the City was \$23,612,038.

10. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

11. Compensated Absences

City employees are granted thirty-two hours of personal leave and sixty-four hours of sick leave annually, with a maximum to accumulate 160 hours of sick leave. In the event of termination, an employee is paid for accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2006 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years
Infrastructure	20 years

13. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City utilizes a pooled cash account for three funds. The City's pooled cash account consists of a checking account, utilized by the Special Revenue Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the basic financial statements.

The other funds of the City utilize separate savings, investment, and interest bearing checking accounts.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2006, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 269,086	\$ 255,299
Money market	42,019	41,263
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
	411,105	396,562
COMPONENT UNIT		
Checking	32,888	32,888
FIDUCIARY FUNDS		
Checking	89	14,924
Money market	-	3,677
Certificates of deposit	<u>17,000</u>	<u>17,000</u>
	<u>17,089</u>	<u>35,601</u>
TOTAL REPORTING ENTITY	<u>\$ 461,082</u>	<u>\$ 465,051</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2006, the carrying amount of the City's deposits was \$461,082 and the bank balance was \$465,051, of which \$147,812 was covered by federal depository insurance. The balance of \$317,239 was uninsured and uncollateralized.

Investments

As of June 30, 2006, the carrying amounts and market values for the investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT			
Insured or registered for which the securities are held by the City's agent in the City's name -			
Federal Home Loan Mortgage Bonds	\$ 103,321	\$ 103,321	26 years
Prime Mortgage Trust Pass Thru	21,420	21,420	28 years
Van Kampen Insured Income Trust	97,301	97,301	1 day
GNMA II Guaranteed Pass Thru	34,801	34,801	26 years
Federal National Mortgage Association Remic.	98,904	98,904	27 years
Certificates of Deposit	<u>350,000</u>	<u>350,000</u>	416 days
Total primary government	705,747	705,747	
FIDUCIARY FUNDS			
Insured or registered for which the securities are held by the City's agent in the City's name -			
Federal Home Loan Mortgage Bonds	<u>15,809</u>	<u>15,809</u>	
TOTAL REPORTING ENTITY	<u>\$ 721,556</u>	<u>\$ 721,556</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2006, all of the City's investments were rated Aaa by Standard and Poor's.

Interest rate risk

The City has not adopted a policy that indicates how the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The City has not adopted a policy that indicates how the City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

Custodial credit risk

The City has not adopted a policy that indicates how the City will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2006:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 348,157	\$ 32,888	\$ 17,089	\$ 398,134
Cash and cash equivalents - restricted	63,073	-	-	63,073
Investments	<u>705,747</u>	<u>-</u>	<u>15,809</u>	<u>721,556</u>
	<u>\$ 1,116,977</u>	<u>\$ 32,888</u>	<u>\$ 32,898</u>	<u>\$ 1,182,763</u>

The cash and cash equivalents captions on the basic financial statements include \$125 in imprest cash.

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2006:

	<u>Employee Benefits</u>	<u>Community Projects</u>	<u>Total</u>
General Fund	\$ 8,290	\$ -	\$ 8,290
Park and Recreation Fund	<u>-</u>	<u>54,783</u>	<u>54,783</u>
	<u>\$ 8,290</u>	<u>\$ 54,783</u>	<u>\$ 63,073</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2006, are as follows:

Due to General Fund from:	
Sewer System Fund	\$ 190
Park and Recreation Fund	77,771
Nonmajor governmental funds	<u>148</u>
	<u>\$ 78,109</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 20,000
Transfers to Park and Recreation Fund from:	
General Fund	<u>20,000</u>
	<u>\$ 40,000</u>

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities				
Capital assets not being depreciated				
Land	\$ 55,451	\$ -	\$ -	\$ 55,451
Construction in progress	<u>94,469</u>	<u>32,990</u>	<u>(94,469)</u>	<u>32,990</u>
Subtotal of capital assets not being depreciated	149,920	32,990	(94,469)	88,441
Capital assets being depreciated				
Buildings and improvements	138,538	213,708	-	352,246
Vehicles	180,253	26,136	(21,856)	184,533
Equipment and furniture	207,807	-	-	207,807
Infrastructure	<u>1,113,364</u>	<u>-</u>	<u>-</u>	<u>1,113,364</u>
Subtotal of capital assets being depreciated	1,639,962	239,844	(21,856)	1,857,950
Less accumulated depreciation for				
Buildings and improvements	(69,706)	(4,400)	-	(74,106)
Vehicles	(169,217)	(8,259)	18,730	(158,746)
Equipment and furniture	(89,783)	(15,890)	-	(105,673)
Infrastructure	<u>(522,685)</u>	<u>(46,880)</u>	<u>-</u>	<u>(569,565)</u>
Total accumulated depreciation	<u>(851,391)</u>	<u>(75,429)</u>	<u>18,730</u>	<u>(908,090)</u>
Net capital assets being depreciated	<u>788,571</u>	<u>164,415</u>	<u>(3,126)</u>	<u>949,860</u>
Capital assets, net	<u>\$ 938,491</u>	<u>\$ 197,405</u>	<u>\$ (97,595)</u>	<u>\$ 1,038,301</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE F: CAPITAL ASSETS - CONTINUED

The current year depreciation expense of \$75,429 has been adjusted by \$3,126 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	\$ 8,566
Public safety	16,089
Public works	53,460
Recreation and cultural	<u>440</u>
Total depreciation expense	<u>\$ 78,555</u>

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Business-type activities				
Capital assets being depreciated				
Buildings and improvements	\$ 3,152,823	\$ -	\$ -	\$ 3,152,823
Machinery and equipment	55,031	-	-	55,031
Office and equipment	<u>3,302</u>	<u>-</u>	<u>-</u>	<u>3,302</u>
Subtotal of capital assets being depreciated	3,211,156	-0-	-0-	3,211,156
Less accumulated depreciation for				
Buildings and improvements	(1,839,569)	(78,958)	-	(1,918,527)
Machinery and equipment	(45,567)	(5,870)	-	(51,437)
Office and equipment	<u>(3,302)</u>	<u>-</u>	<u>-</u>	<u>(3,302)</u>
Total accumulated depreciation	<u>(1,888,438)</u>	<u>(84,828)</u>	<u>-0-</u>	<u>(1,973,266)</u>
Capital assets, net	<u>\$ 1,322,718</u>	<u>\$ (84,828)</u>	<u>\$ -0-</u>	<u>\$ 1,237,890</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Amount Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Capital Leases - Police Cars	\$ 6,111	\$ 26,136	\$ 10,611	\$ 21,636	\$ 5,699
Project reimbursement	59,873	-	3,151	56,722	3,151
Accumulated compensated absences	<u>13,703</u>	<u>-</u>	<u>1,001</u>	<u>12,702</u>	<u>7,803</u>
	<u>\$ 79,687</u>	<u>\$ 26,136</u>	<u>\$ 14,763</u>	<u>\$ 91,060</u>	<u>\$ 16,653</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Capital Leases

The City has entered into lease purchase agreements to finance the acquisition of police cars. The current lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term at bargain price) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The cost of equipment acquired under the lease purchase agreement amounted to \$26,136.

Commitments under this lease agreement provide for minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 5,699	\$ 429
2008	4,933	1,195
2009	5,303	825
2010	<u>5,701</u>	<u>427</u>
	<u>\$ 21,636</u>	<u>\$ 2,876</u>

Project Reimbursement

The City has entered into an agreement to reimburse Verizon North for certain improvements made to the Downtown area. The agreement is dated July 23, 2004 and is due in annual installments of \$3,151 with no interest through July 23, 2023. The cost of improvements acquired under this agreement amounted to \$63,024.

Commitments under this agreement provide for minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2007	\$ 3,151
2008	3,151
2009	3,151
2010	3,151
2011	3,151
2012-2016	15,755
2017-2021	15,755
2022-2024	<u>9,457</u>
	<u>\$ 56,722</u>

Accumulated compensated absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/personal time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$12,702 at June 30, 2006.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the City of Laingsburg. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the City Council. The plan requires a three (3) percent contribution from the employees.

Annual Pension Cost

For year ended June 30, 2006, the City of Laingsburg's annual pension cost of \$13,239 for the plan was equal to the City of Laingsburg's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 106,225	\$ 103,117	\$ 131,514
Actuarial accrued liability (AAL) (entry age)	111,152	101,551	132,771
Unfunded (overfunded) AAL	4,927	(1,566)	1,230
Funded ratio	96 %	102 %	99 %
Covered payroll	176,968	207,210	226,735
UAAL as a percentage of covered payroll	3 %	(1) %	1 %

	Year Ended June 30,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 11,043	\$ 11,834	\$ 13,239
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE I: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Liability and Property Pool with other municipalities for property, casualty, law enforcement, automobiles, crime, employee benefit, and public official losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE J: FUND BALANCE DESIGNATIONS

Designated fund balance indicates that portion of the fund balance which the City has set aside for specific purposes.

The following are the fund balance designations as of June 30, 2006:

Fund Balance

General Fund	
Designated for community projects	\$ <u>61,523</u>
Capital Project Fund	
Designated for community projects	\$ <u>20,253</u>

NOTE K: BUILDING AND ZONING FINANCIAL INFORMATION

The City elected to report the financial activities of the building and zoning department in the general fund. The following is the required information as it relates to this department for the year ended June 30, 2006:

REVENUES	
Building permits	\$ 2,941
EXPENDITURES	
Contractual services	1,474
Supplies and other	<u>13,469</u>
TOTAL EXPENDITURES	<u>14,943</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ (12,002)</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2006:

PRIMARY GOVERNMENT

Governmental activities

Restricted for streets \$ 113,499

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the City's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2006, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Health and welfare			
Emergency services	\$ -0-	\$ 24,889	\$ 24,889
Capital outlay	30,200	30,321	121
Transfers out	20,000	40,000	20,000

NOTE N: SUBSEQUENT EVENTS

In July 2006, the City issued General Obligation Limited Tax Bonds Series 2006 for the purpose of paying all or part of the cost of street, sidewalk, and infrastructure improvements in the City, as well as costs of the bond issuance.

In August 2006, the City was awarded a Community Development Block Grant (CDBG) in the amount of \$80,000. The CDBG funds will be used for street repairs and parking lot improvements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
REVENUES				
Taxes				
Property taxes	\$ 346,430	\$ 346,430	\$ 369,053	\$ 22,623
Licenses and permits				
Cable television license	5,088	5,088	4,866	(222)
City licenses and permits	8,000	3,000	2,941	(59)
Total licenses and permits	13,088	8,088	7,807	(281)
Intergovernmental				
State				
State shared revenue	145,642	145,642	143,371	(2,271)
State liquor license	1,350	1,350	1,374	24
Michigan justice training	950	950	-	(950)
Metro act	6,082	6,082	4,546	(1,536)
Total intergovernmental	154,024	154,024	149,291	(4,733)
Charges for services				
Other fees	1,700	3,200	3,849	649
Fines and forfeits				
Parking	10,250	10,250	8,347	(1,903)
Interest and rents				
Interest	1,515	2,000	(560)	(2,560)
Rents	36,600	30,200	28,977	(1,223)
Total interest and rents	38,115	32,200	28,417	(3,783)
Other				
Refunds	1,450	2,750	1,642	(1,108)
Other	1,735	10,485	10,712	227
Total other	3,185	13,235	12,354	(881)
TOTAL REVENUES	566,792	567,427	579,118	11,691

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
EXPENDITURES				
General government				
Council, boards, and commissions	\$ 6,555	\$ 5,955	\$ 5,124	\$ 831
Chief executive	2,520	2,320	2,287	33
Treasurer	34,630	33,985	32,315	1,670
Clerk	26,803	25,843	24,487	1,356
Contractual services	20,000	25,200	21,958	3,242
Assessor	9,900	10,500	10,093	407
Elections	7,100	3,200	2,244	956
City hall and grounds	46,480	45,482	44,375	1,107
Board of review	300	300	300	-0-
City services	18,337	19,533	9,069	10,464
Total general government	172,625	172,318	152,252	20,066
Public safety				
Police department	190,693	192,106	188,595	3,511
Zoning & Planning commission	11,490	13,850	13,469	381
Total public safety	202,183	205,956	202,064	3,892
Public works				
General services	57,506	56,076	48,707	7,369
Drains	6,950	3,250	2,262	988
Total public works	64,456	59,326	50,969	8,357
Health and welfare				
Emergency services	-	-	24,889	(24,889)
Recreation and cultural				
Parks maintenance	18,278	31,218	31,963	(745)
Library	7,250	11,750	10,214	1,536
Total recreation and cultural	25,528	42,968	42,177	791
Capital outlay	30,880	30,200	30,321	(121)
Debt service	9,733	14,184	14,184	-0-

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Amended</u>		
EXPENDITURES - CONTINUED				
Other				
Insurance	\$ 19,800	\$ 20,475	\$ 20,096	\$ 379
Contingencies	20,587	2,000	-	2,000
Total other	40,387	22,475	20,096	2,379
TOTAL EXPENDITURES	545,792	547,427	536,952	10,475
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,000	20,000	42,166	22,166
OTHER FINANCING SOURCES (USES)				
Installment lease	-	-	26,136	26,136
Transfers out	(21,000)	(20,000)	(40,000)	(20,000)
TOTAL OTHER FINANCING (USES)	(21,000)	(20,000)	(13,864)	6,136
NET CHANGE IN FUND BALANCE	-0-	-0-	28,302	28,302
Fund balance, beginning of year	261,711	261,711	261,711	-0-
Fund balance, end of year	<u>\$ 261,711</u>	<u>\$ 261,711</u>	<u>\$ 290,013</u>	<u>\$ 28,302</u>

OTHER SUPPLEMENTARY INFORMATION

City of Laingsburg

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2006

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Major Street	Local Street	Library	
ASSETS				
Cash and cash equivalents	\$ 81,108	\$ 28,394	\$ 26,023	\$ 135,525
Due from other governmental units				
State	5,930	2,190	-	8,120
Local	-	-	22,560	22,560
TOTAL ASSETS	<u>\$ 87,038</u>	<u>\$ 30,584</u>	<u>\$ 48,583</u>	<u>\$ 166,205</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,038	\$ 109	\$ 124	\$ 3,271
Accrued wages	557	357	1,465	2,379
Due to other funds	19	43	86	148
TOTAL LIABILITIES	3,614	509	1,675	5,798
FUND BALANCES				
Unreserved - undesignated	<u>83,424</u>	<u>30,075</u>	<u>46,908</u>	<u>160,407</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 87,038</u>	<u>\$ 30,584</u>	<u>\$ 48,583</u>	<u>\$ 166,205</u>

City of Laingsburg

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Major Street	Local Street	Library	
REVENUES				
Intergovernmental				
State	\$ 66,731	\$ 24,646	\$ 6,703	\$ 98,080
Local	-	-	500	500
Charges for services	-	-	5,894	5,894
Fines and forfeits	-	-	40,131	40,131
Interest and rents	661	257	201	1,119
Other	1,739	403	1,720	3,862
TOTAL REVENUES	69,131	25,306	55,149	149,586
EXPENDITURES				
Current				
Public works	32,014	18,354	-	50,368
Recreation and cultural	-	-	68,727	68,727
TOTAL EXPENDITURES	32,014	18,354	68,727	119,095
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37,117	6,952	(13,578)	30,491
OTHER FINANCING SOURCES				
Transfers in	-	-	20,000	20,000
NET CHANGE IN FUND BALANCES	37,117	6,952	6,422	50,491
Fund balances, beginning of year	46,307	23,123	40,486	109,916
Fund balances, end of year	<u>\$ 83,424</u>	<u>\$ 30,075</u>	<u>\$ 46,908</u>	<u>\$ 160,407</u>

City of Laingsburg
Component Unit Fund
BALANCE SHEET
June 30, 2006

	Downtown Development Authority
ASSETS	
Cash and cash equivalents	\$ 32,888
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other governmental units	\$ 10,000
FUND BALANCE	
Unreserved - undesignated	22,888
TOTAL LIABILITIES AND FUND BALANCE	\$ 32,888

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for the component unit is not required as the component unit fund balance was equal to the component unit net assets as of June 30, 2006.

City of Laingsburg

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

Year Ended June 30, 2006

	Downtown Development Authority
REVENUES	
Taxes	\$ 45,816
Charges for services	2,526
TOTAL REVENUES	48,342
EXPENDITURES	
Community and economic development	35,620
EXCESS OF REVENUES OVER EXPENDITURES	12,722
Fund balance, beginning of year	10,166
Fund balance, end of year	\$ 22,888

Note: Reconciliation of the statement of revenues, expenditures, and change in fund balance of the component unit governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2006.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Council
City of Laingsburg
Laingsburg, Michigan

As you know, we have recently completed our audit of the records of the City of Laingsburg, Michigan as of and for the year ended June 30, 2006. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal controls and our discussions with management.

The Library should review cash receipts and deposit processes.

During our testing of the receipts processes, we noted that the Library did not reconcile the circulation reports to each bank deposit. The circulation log maintained by the Librarian does not detail all funds received and is not reconciled to the receipt received from the City Treasurer. Although progress has been made in the receipting process of the Library, there is still no clear method of reconciling the money received each day to the circulation log or the bank deposits.

We suggest the City review receipting procedures for the Library to ensure that all amounts received by the Library are reconciled to the bank deposit made by the City Treasurer on its behalf.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report of the financial statements dated September 8, 2006.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Laingsburg and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 8, 2006